

YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
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Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course: Koodi / Code: 721962S Tentin nimi / Exam name: International Finance	
Tiedekunta / Faculty: Oulu Business School	
Tentin pvm / Date of exam: 13.06.2016	Tentin kesto tunteina / Exam in hours: 4
Tentin nro / No. of the exam: Summer exam	Opintopistemäärä / Credit units: 6
Tentaattori(t) / Examiner(s): Hannu Kahra	Sisäinen postios. / Internal address: OBS
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Nelilaskin / Standard calculator <input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input checked="" type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:	
Tenttiin vastaaminen / Please answer the questions: <input checked="" type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

Vastaukset vain tälle paperille! / For each question, write your answer in the blank space provided!

1. Since the peak the Euro has lost about 25 % of its value against the US dollar. How can this be explained using economic arguments?
2. Explain why $F_t \neq E_t(S_{t+1})$, where on the left-hand side we have the forward price of a currency and on the right-hand side we have the expected price of the currency.
3. In the following equation s is log of spot exchange rate and f is log of 1-period forward rate. Interpret the equation. What does the theory say? What does $b = 1$ imply and what is the empirical evidence? What does $a \neq 0$ imply?

$$s_{t+1} - s_t = a + b(f_t - s_t) + e_{t+1}.$$

4. Explain the international Fisher relation.

5. Neste Oil imports crude oil that is priced in USD. What are the (price) risks the company faces? How can the risks be hedged?

